

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>VILLAGE OF RAVENNA</b>	County <b>MUSKEGON</b>
Audit Date <b>12/31/05</b>	Opinion Date <b>3/23/06</b>	Date Enclosed Report Submitted to State <b>4/14/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

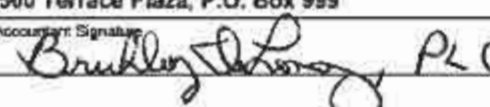
We further affirm the following "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations:

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 276 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 65 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>		
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGR).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) <b>Brickley DeLong, PLC</b>			
Street Address <b>500 Terrace Plaza, P.O. Box 999</b>		City <b>Muskegon</b>	State <b>MI</b>
ZIP <b>49443-0999</b>		Date <b>4/14/06</b>	
Accountant Signature 			

Village of Ravenna  
Muskegon County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended December 31, 2005

Village of Ravenna

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As management of the Village of Ravenna, we present to the readers of the Village's financial statements this overview and analysis of the financial activities of the Village of Ravenna for the fiscal year ended December 31, 2005. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

### FINANCIAL HIGHLIGHTS

- At the close of the fiscal year the Village of Ravenna had total assets of \$2,547,009 and total liabilities of \$126,217 leaving net assets of \$2,420,792, an increase of 6% in the Village's overall net assets.
- Of the total \$2,420,792 in net assets, the Village may use \$557,345 (unrestricted net assets) to meet the ongoing obligations to citizens and creditors.
- Total revenues, including all program and general revenues, were \$845,951, made up of governmental revenues of \$517,371 and business-type revenues of \$328,580. Revenues for the Village's DDA were \$2,844.
- Total expenses for all of the Village's programs were \$707,083. Of that total, the governmental expenses were \$435,435 and the business-type expenses were \$271,648. The Village's DDA did not have any expenses.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Village's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities). The governmental activities of the Village include general government, public safety, public works and cultural and recreational activities. The business-type activities of the Village include water distribution and sewer services.

The government-wide financial statements include not only the Village of Ravenna (the primary government) but also the legally separate discretely presented component unit. The board of this organization is appointed by the Village and given the interrelation of the two; there is some potential liability for the Village due to the Village's pledge of its full faith and credit for debt obligations. The financial information of this component unit is reported in a separate column from the financial information of the primary government itself.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories—governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Village of Ravenna maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Major Streets Fund, which are considered to be major funds.

**Proprietary Funds.** The Village of Ravenna has two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its water distribution and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provided separate information for Water and Sewer funds, both of which are major funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's budgetary information as it relates to the actual expenditures for the General Fund and Major Streets Fund.

### Government-wide Financial Analysis

The first table presented on the next page is a summary of the government-wide Statement of Net Assets for the Village of Ravenna. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of December 31, 2005, the Village's net assets from governmental activities totaled \$1,225,304 (50.6%) and \$1,195,488 (49.4%) from business-type activities, creating a total government-wide net assets total of \$2,420,792.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., infrastructure, buildings, land, vehicles, equipment, etc). These assets are used to provide services to the Village's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities are \$211,573. This represents the amount of discretionary cash or investments that can be used for general governmental operations.

The business-type activities show a total of \$1,195,488 in net assets and \$345,772 (29%) in unrestricted net assets. The Sewer Fund and Water Fund unrestricted net assets are \$50,005 and \$295,767, respectively.

### Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current assets and						
other assets	\$ 403,201	\$ 514,570	\$ 349,887	\$ 326,218	\$ 753,088	\$ 840,788
Capital assets	845,205	705,459	948,716	955,902	1,793,921	1,661,361
Total assets	1,248,406	1,220,029	1,298,603	1,282,120	2,547,009	2,502,149
Current liabilities	23,102	76,661	39,115	44,846	62,217	121,507
Noncurrent liabilities	-	-	64,000	98,718	64,000	98,718
Total liabilities	23,102	76,661	103,115	143,564	126,217	220,225
Net assets						
Invested in capital assets,						
net of related debt	845,205	705,459	849,716	819,184	1,694,921	1,524,643
Restricted	168,526	225,930	-	-	168,526	225,930
Unrestricted	211,573	211,979	345,772	319,372	557,345	531,351
Total net assets	\$ 1,225,304	\$ 1,143,368	\$ 1,195,488	\$ 1,138,556	\$ 2,420,792	\$ 2,281,924

Capital assets increased for governmental activities primarily because the Village paved Blackmer Road. Capital assets increased for business-type activities because the Village completed a watermain loop. Both of these capital additions increased the invested in capital assets, net of related debt category of net assets. Blackmer Road was paid with current resources and therefore reduced the current assets of governmental activities.

### Governmental Activities

Governmental activities increased by \$81,936 (7%) during the 2005 fiscal year. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Revenues and expenditures of governmental activities were fairly consistent for most categories. Property tax revenue is up to go growth in taxable values. Public safety expenses are down because the Village is no longer participating in the COPS program at the school.

### Business-type activities

At the end of the fiscal year, the net assets for business-type activities increased by \$56,932 or 5%. Two funds comprise the business-type activities. The Sewer Fund experienced an increase in net assets for the year totaling \$7,974. The Water Fund experienced an increase in net assets for the year totaling \$48,958.

Revenues and expenditures of business-type activities were fairly consistent for most categories. Charges for services increased as usage was up slightly. Water expenses were higher due to various maintenance and repair projects done during the year.

### Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues						
Charges for services	\$ 53,798	\$ 50,495	\$ 321,845	\$ 309,747	\$ 375,643	\$ 360,242
Operating grants	118,771	121,185	-	-	118,771	121,185
General revenues						
Property taxes	214,733	202,608	-	-	214,733	202,608
Grants and contributions not restricted	100,120	98,196	-	-	100,120	98,196
Unrestricted investment earnings	5,270	1,942	6,735	2,324	12,005	4,266
Miscellaneous	24,679	20,243	-	-	24,679	20,243
Gain (loss) on sale of assets	-	(3,865)	-	-	-	(3,865)
Total revenues	517,371	490,804	328,580	312,071	845,951	802,875
Expenses:						
General government	62,446	58,433	-	-	62,446	58,433
Public safety	23,671	66,313	-	-	23,671	66,313
Public works	293,761	294,727	-	-	293,761	294,727
Culture and recreation	55,557	44,590	-	-	55,557	44,590
Sewer Fund	-	-	120,370	129,119	120,370	129,119
Water Fund	-	-	151,278	126,418	151,278	126,418
Total expenses	435,435	464,063	271,648	255,537	707,083	719,600
Change in net assets	81,936	26,741	56,932	56,534	138,868	83,275
Net assets - Beginning	1,143,368	1,116,627	1,138,556	1,082,022	2,281,924	2,198,649
Net assets - Ending	\$ 1,225,304	\$ 1,143,368	\$ 1,195,488	\$ 1,138,556	\$ 2,420,792	\$ 2,281,924



### Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2005 fiscal year, the Village's governmental funds reported a combined unreserved fund balance of \$375,378. This number represents the unreserved fund balance \$206,852 in the General Fund, \$134,280 in the Major Streets Fund and \$34,246 in the Local Streets Fund. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Village's discretion. The remainder of the fund balance of \$4,721 is reserved to indicate that it is not available for new spending because it has already been committed to enforcement activities. When the fund balance has been adjusted to account for these reserves, the result is a final fund balance of \$380,099, which consists of a fund balance of \$211,573 in the General Fund, \$134,280 in the Major Streets Fund and \$34,246 in the Local Streets Fund.

### Proprietary Funds

The Village proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Sewer and Water funds increased by \$7,974 and \$48,958, respectively. The result was an overall net increase in the proprietary funds of \$56,932.

### General Fund Budget

During the current fiscal year, the Village made several amendments to its original budget. The most significant of those is listed below:

- The original department of public works budget was decreased by \$15,000 because the reconstruction of Blackmer road cost less than expected.
- The original parks budget was decreased by \$12,000 because the cost of park improvements for the year was less than expected.
- The original insurance and bonds budget was decreased by \$11,000 because costs were expected to be less than the original budget of \$31,000.
- The original capital outlay budget was increased by \$7,000 because the Village purchased a used plow truck.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- State intergovernmental revenue is \$8,244 below the budgeted amount because state shared revenue was not increased.
- Other revenue is \$10,124 more than budgeted because the Village was reimbursed for some legal fees related to the construction of a new store and the Ravenna Lion's Club contributed funds for the construction of a roof over the bleachers at Conklin Park.
- Police and fire protection expenditures are \$7,831 less than budgeted because the Village is no longer participating in the COPS program.
- Department of public works expenditures are \$8,847 less than budgeted because the cost of the Blackmer Road reconstruction project was less than originally anticipated.
- Insurance and bonds expenditures are \$5,403 less than budgeted because actual costs were less than anticipated.
- Capital outlay expenditures are \$23,308 less than budgeted because capital purchases were less than anticipated.
- There were no proceeds from the sale of capital assets because the Village did not sell any assets this year.

### Capital Assets Administration

The Village of Ravenna's investment in capital assets for its governmental and business-type activities as of December 31, 2005 totaled \$1,793,921 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment and vehicles.

Major capital asset events during the current fiscal year included the following:

- The Village constructed a roof over the bleachers at Conklin Park and the Ravenna Lion's Club contributed half of the cost of \$16,129.
- The Village paved Blackmer Road from Heights Ravenna to Crockery Creek for a total cost of \$175,628.
- A sprinkler system was installed at Conklin Park for a cost of \$5,233.
- The Village purchased a 1990 dump truck for \$6,830.
- The Village completed a watermain loop at a cost of \$33,171.

### Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 15,000	\$ 15,000	\$ 32,963	\$ 32,963	\$ 47,963	\$ 47,963
Land improvements	26,913	23,169	-	-	26,913	23,169
Buildings and improvements	54,983	41,944	-	-	54,983	41,944
Furniture and equipment	93,931	100,578	-	-	93,931	100,578
Vehicles	17,588	17,063	-	-	17,588	17,063
Infrastructure	636,790	507,705	-	-	636,790	507,705
Sewer system	-	-	742,743	772,579	742,743	772,579
Water system	-	-	173,010	150,360	173,010	150,360
Total	<u>\$ 845,205</u>	<u>\$ 705,459</u>	<u>\$ 948,716</u>	<u>\$ 955,902</u>	<u>\$ 1,793,921</u>	<u>\$ 1,661,361</u>

Additional information on the Village's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

### Long-Term Debt

At the end of the 2005 fiscal year, the Village of Ravenna had total outstanding debt of \$99,000 consisting of revenue bonds. The payment of this debt is anticipated through the revenues generated from the water and sewer services in the enterprise funds.

### Outstanding Debt

	Business-type Activities	
	2005	2004
Revenue bonds	\$ 99,000	\$ 134,000
General obligation bonds	-	2,718
Total	<u>\$ 99,000</u>	<u>\$ 136,718</u>

The Village's total debt decreased by \$37,718 during the fiscal year. This reduction was due to regularly scheduled debt payments.

Additional information on the Village's long-term debt can be found in Note F of the "Notes to the Financial Statements" of this report.

### **General Economic Overview**

The Village of Ravenna has set fiscal accountability and financial stability as its number one priority. This is also its greatest challenge.

The General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised 70% of the General Fund revenue sources. In 2006, property taxes and state shared revenues are expected to increase.

The Village Council and staff have budgeted for 2006 the looping of another water system on John Street and Emery Street, construction of a skate board park at Conklin Park (along with a 50% contribution from the Ravenna Lion's Club).

### **Requests for Information**

This financial report is designed to provide a general overview of the Village of Ravenna's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Village of Ravenna, 12090 Crockery Creek Drive, Ravenna, Michigan, 49451, (231) 853-2360.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

March 23, 2006

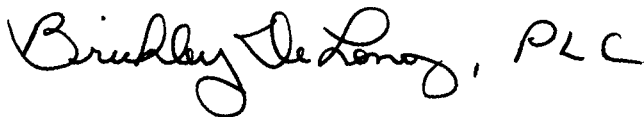
To the Honorable President and  
Members of the Village Council  
Village of Ravenna  
Ravenna, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Ravenna as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Ravenna's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Ravenna, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - ix and 24 - 25 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.



Village of Ravenna  
**STATEMENT OF NET ASSETS**  
December 31, 2005

ASSETS				Component unit
	Governmental activities	Business-type activities	Total	Downtown Development Authority
CURRENT ASSETS				
Cash and investments	\$ 346,270	\$ 313,411	\$ 659,681	\$ -
Receivables	20,246	22,419	42,665	-
Due from other governmental units	50,742	-	50,742	1,692
Internal balances	(14,057)	14,057	-	-
Due from primary government	-	-	-	2,779
Total current assets	403,201	349,887	753,088	4,471
NONCURRENT ASSETS				
Capital assets, net				
Nondepreciable	15,000	32,963	47,963	-
Depreciable	830,205	915,753	1,745,958	-
Total noncurrent assets	845,205	948,716	1,793,921	-
Total assets	1,248,406	1,298,603	2,547,009	4,471
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	20,323	4,115	24,438	-
Due to component unit	2,779	-	2,779	-
Bonds and other obligations, due within one year	-	35,000	35,000	-
Total current liabilities	23,102	39,115	62,217	-
NONCURRENT LIABILITIES				
Bonds and other obligations, less amounts due within one year	-	64,000	64,000	-
Total liabilities	23,102	103,115	126,217	-
NET ASSETS				
Invested in capital assets, net of related debt	845,205	849,716	1,694,921	-
Restricted for streets	168,526	-	168,526	-
Unrestricted	211,573	345,772	557,345	4,471
Total net assets	\$ 1,225,304	\$ 1,195,488	\$ 2,420,792	\$ 4,471

The accompanying notes are an integral part of this statement.

Village of Ravenna  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2005

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets					
		Program Revenue		Primary Government			Component unit
		Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total	Downtown Development Authority
Primary government							
Governmental activities							
General government	\$ 62,446	\$ 7,716	\$ -	\$ (54,730)	\$ -	\$ (54,730)	\$ -
Public safety	23,671	-	-	(23,671)	-	(23,671)	-
Public works	293,761	46,082	118,771	(128,908)	-	(128,908)	-
Culture and recreation	55,557	-	-	(55,557)	-	(55,557)	-
Total governmental activities	435,435	53,798	118,771	(262,866)	-	(262,866)	-
Business-type activities							
Sewer	120,370	127,435	-	-	7,065	7,065	-
Water	151,278	194,410	-	-	43,132	43,132	-
Total business-type activities	271,648	321,845	-	-	50,197	50,197	-
Total primary government	\$ 707,083	\$ 375,643	\$ 118,771	(262,866)	50,197	(212,669)	-
Component unit							
Downtown Development Authority							
Economic Development	\$ -	\$ -	\$ -	-	-	-	-
General revenues							
Property taxes				214,733	-	214,733	2,844
Grants and contributions not restricted to specific programs				100,120	-	100,120	
Unrestricted investment earnings				5,270	6,735	12,005	-
Miscellaneous				24,679	-	24,679	-
Total general revenues				344,802	6,735	351,537	2,844
Change in net assets				81,936	56,932	138,868	2,844
Net assets at January 1, 2005				1,143,368	1,138,556	2,281,924	1,627
Net assets at December 31, 2005				\$ 1,225,304	\$ 1,195,488	\$ 2,420,792	\$ 4,471

The accompanying notes are an integral part of this statement.

Village of Ravenna  
**BALANCE SHEET**  
 Governmental Funds  
 December 31, 2005

	General Fund	Major Streets Fund	Other governmental fund	Total governmental funds
<b>ASSETS</b>				
Cash and investments	\$ 192,067	\$ 122,224	\$ 31,979	\$ 346,270
Receivables				
Accounts	3,428	-	-	3,428
Taxes	16,818	-	-	16,818
Due from other governmental units	33,765	13,090	3,887	50,742
Total assets	<u>\$ 246,078</u>	<u>\$ 135,314</u>	<u>\$ 35,866</u>	<u>\$ 417,258</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 15,376	\$ 826	\$ 1,518	\$ 17,720
Accrued liabilities	2,293	208	102	2,603
Due to other funds	14,057	-	-	14,057
Due to component unit	2,779	-	-	2,779
Total liabilities	34,505	1,034	1,620	37,159
Fund balances				
Reserved for enforcement activities - permits	4,721	-	-	4,721
Unreserved, undesignated				
General Fund	206,852	-	-	206,852
Special revenue funds	-	134,280	34,246	168,526
Total fund balances	211,573	134,280	34,246	380,099
Total liabilities and fund balances	<u>\$ 246,078</u>	<u>\$ 135,314</u>	<u>\$ 35,866</u>	<u>\$ 417,258</u>

The accompanying notes are an integral part of this statement.



Village of Ravenna  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**  
December 31, 2005

Total fund balance—governmental funds	\$ 380,099
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
are not reported in the governmental funds.

Cost of capital assets	\$ 1,403,007	
Accumulated depreciation	<u>(557,802)</u>	<u>845,205</u>

Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>1,225,304</u></u>
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The accompanying notes are an integral part of this statement.

Village of Ravenna  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Governmental Funds  
For the year ended December 31, 2005

	General Fund	Major Streets Fund	Other governmental funds	Total governmental funds
REVENUES				
Property taxes	\$ 214,733	\$ -	\$ -	\$ 214,733
Licenses and permits	7,716	-	-	7,716
Intergovernmental revenues - state	100,120	91,446	25,255	216,821
Charges for services	98,287	-	-	98,287
Investment earnings	5,270	1,505	566	7,341
Other	23,897	781	-	24,678
Total revenues	450,023	93,732	25,821	569,576
EXPENDITURES				
Current				
General government	56,835	-	-	56,835
Public safety	23,671	-	-	23,671
Public works	184,046	57,241	21,088	262,375
Culture and recreation	46,865	-	-	46,865
Other governmental functions	33,820	-	-	33,820
Capital outlay	28,192	175,628	-	203,820
Total expenditures	373,429	232,869	21,088	627,386
Excess of revenues over (under) expenditures	76,594	(139,137)	4,733	(57,810)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	77,000	-	77,000
Transfers out	(77,000)	-	-	(77,000)
Total other financing sources (uses)	(77,000)	77,000	-	-
Net change in fund balances	(406)	(62,137)	4,733	(57,810)
Fund balances at January 1, 2005	211,979	196,417	29,513	437,909
Fund balances at December 31, 2005	\$ 211,573	\$ 134,280	\$ 34,246	\$ 380,099

The accompanying notes are an integral part of this statement.

Village of Ravenna  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
 For the year ended December 31, 2005

Net change in fund balances—total governmental funds: \$ (57,810)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (64,074)	
Capital outlay	<u>203,820</u>	<u>139,746</u>
 Change in net assets of governmental activities		 \$ <u><u>81,936</u></u>

The accompanying notes are an integral part of this statement.

Village of Ravenna  
**STATEMENT OF NET ASSETS**  
 Proprietary Funds  
 December 31, 2005

ASSETS

	Business-type Activities - Enterprise funds		
	Sewer	Water	Total
CURRENT ASSETS			
Cash and investments	\$ 27,086	\$ 286,325	\$ 313,411
Accounts receivable	10,913	11,506	22,419
Due from other funds	14,057	-	14,057
Total current assets	52,056	297,831	349,887
NONCURRENT ASSETS			
Capital assets			
Land	31,800	1,163	32,963
Machinery and equipment	16,042	16,042	32,084
Plants and infrastructure	1,290,067	409,982	1,700,049
Less accumulated depreciation	(563,366)	(253,014)	(816,380)
Net capital assets	774,543	174,173	948,716
Total assets	826,599	472,004	1,298,603
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	1,472	1,379	2,851
Accrued liabilities	579	685	1,264
Bonds and other obligations, due within one year	25,000	10,000	35,000
Total current liabilities	27,051	12,064	39,115
NONCURRENT LIABILITIES			
Bonds and other obligations, less amounts due within one year	44,000	20,000	64,000
Total liabilities	71,051	32,064	103,115
NET ASSETS			
Invested in capital assets, net of related debt	705,543	144,173	849,716
Unrestricted	50,005	295,767	345,772
Total net assets	\$ 755,548	\$ 439,940	\$ 1,195,488

The accompanying notes are an integral part of this statement.

Village of Ravenna  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
 Proprietary Funds  
 For the year ended December 31, 2005

	Business-type Activities - Enterprise funds		
	Sewer	Water	Total
<b>REVENUES</b>			
Charges for services	\$ 125,435	\$ 191,510	\$ 316,945
<b>OPERATING EXPENSES</b>			
Operations	83,115	138,918	222,033
Depreciation	29,837	10,522	40,359
Total operating expenses	112,952	149,440	262,392
Operating income	12,483	42,070	54,553
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	909	5,826	6,735
Connection fees	2,000	2,900	4,900
Interest expense	(7,418)	(1,838)	(9,256)
Total nonoperating revenues (expenses)	(4,509)	6,888	2,379
Change in net assets	7,974	48,958	56,932
Total net assets at January 1, 2005	747,574	390,982	1,138,556
Total net assets at December 31, 2005	\$ 755,548	\$ 439,940	\$ 1,195,488

The accompanying notes are an integral part of this statement.

Village of Ravenna  
**STATEMENT OF CASH FLOWS**  
Proprietary Funds  
For the year ended December 31, 2005

	Business-type Activities - Enterprise funds		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 123,894	\$ 189,509	\$ 313,403
Receipts from interfund services provided	7,852	180	8,032
Payments to suppliers	(54,909)	(98,751)	(153,660)
Payments to employees	(29,041)	(42,066)	(71,107)
Net cash provided by operating activities	47,796	48,872	96,668
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Connection fees	2,000	2,900	4,900
Purchases of capital assets	-	(33,171)	(33,171)
Principal paid on capital debt	(27,718)	(10,000)	(37,718)
Interest paid on capital debt	(7,418)	(1,838)	(9,256)
Net cash used for capital and related financing activities	(33,136)	(42,109)	(75,245)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment earnings	909	5,826	6,735
Net increase in cash and investments	15,569	12,589	28,158
Cash and investments at January 1, 2005	11,517	273,736	285,253
Cash and investments at December 31, 2005	\$ 27,086	\$ 286,325	\$ 313,411
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 12,483	\$ 42,070	\$ 54,553
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation expense	29,837	10,522	40,359
Change in assets and liabilities			
Receivables, net	(1,386)	(1,823)	(3,209)
Internal balances	7,696	-	7,696
Accounts payable	(228)	(1,791)	(2,019)
Accrued liabilities	(606)	(106)	(712)
Net cash provided by operating activities	\$ 47,796	\$ 48,872	\$ 96,668

The accompanying notes are an integral part of this statement.

Village of Ravenna  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Ravenna (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

***Reporting Entity***

The Village of Ravenna (Village) is a municipal corporation governed by an elected five-member Village Council and is administered by a Village manager appointed by the Village Council. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. The discretely presented component unit has a December 31 fiscal year end.

***Discretely presented component unit***

*Downtown Development Authority (DDA)*. The DDA board is appointed by the Village Council, but the Authority operates as a separate entity. The board can authorize and issue debt independent from the Village. The component unit is presented as a governmental fund type.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Village does not allocate indirect costs.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Village of Ravenna  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund is used to account for gas and weight tax allocations to the Village by the Michigan Department of Transportation for construction and maintenance of the Village's major streets.

The Village has only one other governmental fund, the Local Streets Fund.

The Village reports the following two major proprietary funds:

The Sewer Fund operates the Village's sewage pumping station and collection systems.

The Water Fund operates the Village's water distribution system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.



Village of Ravenna  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued***

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Village's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

***Assets, Liabilities and Net Assets or Equity***

**Deposits and Investments**

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Village reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Village intends to hold the investment until maturity.

The Village has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Village to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

The component units' cash and investments are maintained within the Village's investment pool.

Village of Ravenna  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The county processes property taxes. The Village does not collect taxes for any other taxing unit. Taxes are levied on each July 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Village to the County for collection. The County advances the Village all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Village. The Village recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 state taxable value for real/personal property of the Village totaled approximately \$24,596,000 of which approximately \$139,000 was captured by the component unit. The ad valorem taxes levied consisted of 8.2764 mills for the Village's operating purposes. This amount is recognized in the General Fund with captured amounts shown in the DDA.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Village of Ravenna  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Capital Assets—Continued**

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the Village chose to include all such items regardless of their acquisition date or amount. The Village was able to estimate the historical cost of the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year).

Property, plant and equipment of the primary government, as well as the component unit, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Plant and systems	30-50
Infrastructure	20
Land improvements	20
Equipment	5-20
Vehicles	5-10

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Village of Ravenna  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to November 1, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Village Hall to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Village Council. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Village's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Village Council. The legal level of budgetary control is the department level for the General Fund and the fund level for all other governmental funds.

**Excess of Expenditures Over Appropriations**

For the year ended December 31, 2005, expenditures exceeded appropriations for the following departments:

	Amended budget	Actual
General Fund		
Clerk	\$ 5,450	\$ 6,105
Treasurer	4,300	4,642
Insurance and bonds	20,000	25,403

These overexpenditures were funded by available fund balance.

Village of Ravenna  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE C—DEPOSITS AND INVESTMENTS**

**Interest rate risk.** The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Village has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** The Village does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Village investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of December 31, 2005, \$445,716 of the Village's bank balance of \$674,514 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The Village does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Village is not authorized to invest in investments which have this type of risk.

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
<b>Capital assets, being depreciated:</b>				
Land improvements	26,727	5,233	-	31,960
Buildings and improvements	153,110	16,129	-	169,239
Furniture and equipment	119,940	-	-	119,940
Infrastructure	813,767	175,628	-	989,395
Vehicles	70,643	6,830	-	77,473
<b>Total capital assets, being depreciated</b>	<b>1,184,187</b>	<b>203,820</b>	<b>-</b>	<b>1,388,007</b>

Village of Ravenna  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE D—CAPITAL ASSETS—Continued**

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
<b>Governmental activities:—Continued</b>				
<b>Less accumulated depreciation:</b>				
Land improvements	\$ 3,558	\$ 1,489	\$ -	\$ 5,047
Buildings and improvements	111,166	3,090	-	114,256
Furniture and equipment	19,362	6,647	-	26,009
Infrastructure	306,062	46,543	-	352,605
Vehicles	53,580	6,305	-	59,885
Total accumulated depreciation	493,728	64,074	-	557,802
Total capital assets, being depreciated, net	690,459	139,746	-	830,205
Capital assets, net	\$ 705,459	\$ 139,746	\$ -	\$ 845,205
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 32,963	\$ -	\$ -	\$ 32,963
<b>Capital assets, being depreciated:</b>				
Sewer system	1,290,067	-	-	1,290,067
Water system	376,811	33,171	-	409,982
Machinery and equipment	32,084	-	-	32,084
Total capital assets, being depreciated	1,698,962	33,171	-	1,732,133
<b>Less accumulated depreciation:</b>				
Sewer system	530,989	28,233	-	559,222
Water system	239,952	8,918	-	248,870
Machinery and equipment	5,080	3,208	-	8,288
Total accumulated depreciation	776,021	40,359	-	816,380
Total capital assets, being depreciated, net	922,941	(7,188)	-	915,753
Capital assets, net	\$ 955,904	\$ (7,188)	\$ -	\$ 948,716

Village of Ravenna  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE D—CAPITAL ASSETS—Continued**

**Depreciation**

Depreciation expense was charged to functions as follows:

**Governmental activities:**

General government	\$ 2,522
Public works	59,425
Culture and recreation	<u>2,127</u>
	<u>\$ 64,074</u>

**Business-type activities:**

Sewer	\$ 29,837
Water	<u>10,522</u>
	<u>\$ 40,359</u>

**NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of December 31, 2005 is as follows:

**Due to/from other funds:**

The General Fund owes the Sewer Fund \$14,057 for refuse collection.

**Due from/to primary government and component units:**

The General Fund owes the DDA \$2,779 for property taxes.

**Interfund transfers:**

The General Fund transferred \$77,000 to the Major Streets Fund for the construction of Blackmer Road.

**NOTE F—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the Village for the year ended December 31, 2005.

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Due within one year
<b>Business-type activities:</b>					
Revenue bonds	\$ 134,000	\$ -	\$ 35,000	\$ 99,000	\$ 35,000
General obligation bonds	<u>2,718</u>	<u>-</u>	<u>2,718</u>	<u>-</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 136,718</u>	<u>\$ -</u>	<u>\$ 37,718</u>	<u>\$ 99,000</u>	<u>\$ 35,000</u>

Village of Ravenna  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE F—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

**Business-type activities:—Continued**

**Revenue bonds:**

\$500,000 Sewage Disposal System Improvement

Revenue Bonds of 1970 payable in annual  
installments of \$19,000 to \$25,000 through  
December 2008; interest at 5%

\$ 69,000

\$100,000 Water Revenue Bonds of 1998 payable in  
annual installments of \$10,000 through May 2008;  
interest at 5.25%

30,000

\$ 99,000

For governmental activities, claims and judgments are generally liquidated by the General Fund.

The Village was in compliance in all material respects with all the revenue bond ordinances at December 31, 2005.

Annual debt service requirements to maturity for debt outstanding as of December 31, 2005 follows:

Year ending December 31,	Business-type activities	
	Principal	Interest
2006	\$ 35,000	\$ 4,763
2007	35,000	2,988
2008	<u>29,000</u>	<u>1,213</u>
	<u>\$ 99,000</u>	<u>\$ 8,964</u>

**NOTE G—OTHER INFORMATION**

**Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village manages its liability and property risk by participating in the Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.



Village of Ravenna  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE G—OTHER INFORMATION—Continued**

**Risk Management—Continued**

The Village manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Village pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Village carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Village expects such amounts, if any, to be immaterial.

The Village is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

**NOTE H—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

**Pension Plan**

*Plan Description.* The Village is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the Village. A copy of the complete financial report and required supplemental information can be obtained by writing to:

Village of Ravenna  
12090 Crockery Creek Drive  
Ravenna, MI 49451

*Funding Policy.* Village employees are required to contribute 3 to 5 percent to the Plan depending on employee contract. The Village is required to contribute at an actuarially-determined rate of 5.57 percent of covered wages.

Village of Ravenna  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE H—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued**

**Pension Plan—Continued**

*Annual Pension Cost.* For the year ended December 31, 2005, the Village's annual pension cost was approximately \$9,000 which the Village contributed. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 4.5 percent, and (c) 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

**Three-Year Trend Information**

<u>Year ending</u>	<u>Approximate annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
12/31/03	\$ 5,900	100 %	\$ -
12/31/04	8,500	100	-
12/31/05	9,000	100	-

**REQUIRED SUPPLEMENTARY INFORMATION**

*Schedule of Funding Progress*

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
12/31/02	\$ 167,167	\$ 211,859	\$ (44,692)	79 %	\$ 118,790	38 %
12/31/03	190,274	237,542	(47,268)	80	124,546	38
12/31/04	213,941	267,110	(53,169)	80	153,581	35

**Deferred Compensation Plan**

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Village employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

**NOTE I—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 22 percent of General Fund revenues.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Village of Ravenna  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended December 31, 2005

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 214,576	\$ 214,576	\$ 214,733	\$ 157
Licenses and permits	6,267	6,267	7,716	1,449
Intergovernmental revenues - state	108,364	108,364	100,120	(8,244)
Charges for services	97,014	97,014	98,287	1,273
Fines and forfeitures	500	500	-	(500)
Investment earnings	2,166	2,166	5,270	3,104
Other	13,773	13,773	23,897	10,124
Total revenues	442,660	442,660	450,023	7,363
EXPENDITURES				
Current				
General government				
Village Council	10,708	10,708	6,857	3,851
Attorney	22,000	22,000	18,449	3,551
Clerk	5,450	5,450	6,105	(655)
Treasurer	4,300	4,300	4,642	(342)
Building and grounds	22,200	22,200	20,782	1,418
Public safety				
Police and fire protection	26,858	26,889	19,058	7,831
Building, plumbing, electrical and mechanical inspectors	8,400	8,400	4,613	3,787
Public works				
Department of public works	135,700	120,700	111,853	8,847
Street lighting	30,000	30,000	28,357	1,643
Sanitation	47,000	47,000	43,836	3,164
Culture and recreation				
Parks	58,500	46,500	46,865	(365)
Other governmental functions				
Insurance and bonds	31,000	20,000	25,403	(5,403)
Engineering	5,000	5,000	1,639	3,361
Employer payroll taxes	9,000	9,000	6,778	2,222
Capital outlay	44,500	51,500	28,192	23,308
Total expenditures	460,616	429,647	373,429	56,218
Excess of revenues over (under) expenditures	(17,956)	13,013	76,594	63,581
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	5,000	5,000	-	(5,000)
Transfers out	(77,000)	(77,000)	(77,000)	-
Total other financing sources (uses)	(72,000)	(72,000)	(77,000)	(5,000)
Net change in fund balance	\$ (89,956)	\$ (58,987)	(406)	\$ 58,581
Fund balance at January 1, 2005			211,979	
Fund balance at December 31, 2005			\$ 211,573	

Village of Ravenna  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
Major Streets Fund  
For the year ended December 31, 2005

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Intergovernmental revenues - state	\$ 95,818	\$ 95,818	\$ 91,446	\$ (4,372)
Investment earnings	1,000	1,000	1,505	505
Other	500	500	781	281
Total revenues	97,318	97,318	93,732	(3,586)
EXPENDITURES				
Current				
Public works	196,418	66,418	57,241	9,177
Capital outlay	179,000	179,000	175,628	3,372
Total expenditures	375,418	245,418	232,869	12,549
Excess of revenues over (under) expenditures	(278,100)	(148,100)	(139,137)	8,963
OTHER FINANCING SOURCES				
Transfers in	77,000	77,000	77,000	-
Net change in fund balance	\$ (201,100)	\$ (71,100)	(62,137)	\$ 8,963
Fund balance at January 1, 2005			196,417	
Fund balance at December 31, 2005			\$ 134,280	

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

March 23, 2006

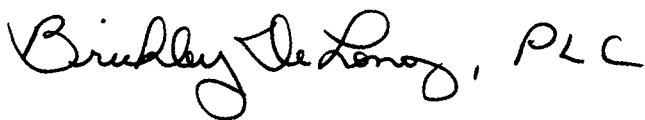
Village Council  
Village of Ravenna  
Ravenna, Michigan

In planning and performing our audit of the financial statements of the Village of Ravenna for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted a certain matter involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Village of Ravenna's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of the reportable condition.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we do not believe the reportable condition described above is a material weakness.

This report is intended solely for the information of the Village Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLLC". The signature is written in a cursive, flowing style.

## **REPORTABLE CONDITIONS**

### ***Organization***

Recommendation 1: A cross-training program of administrative staff should be considered.

Presently, there is not an adequate cross-training program in effect at the Village.

Due to the significant integration of data processing, cross-training would ensure efficient administrative operations in the even of employee illness, vacation, disability or termination and would allow for employees to periodically review the work performed by other employees.